Study Notes for
NISM Series X-B: Investment Adviser (Level 2)
Certification Examination

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EXAMINATION DETAILS

Multiple Choice Questions [90 questions of 1 mark each]	90
Case-based Questions [6 cases (each case with 5 sub-questions of 2 mark each)]	6*5*2 = 60
	150 marks

Total marks	**150**
Duration	**3 hours**
Pass mark	**90**
Negative marking	25 percent of the marks assigned to a question

WEIGHTAGE

Chapter No.	Module/ Chapter Name	Module-wise Marks
	Module 7: Risk Management and Insurance Planning	
Chapter 1	Basics of Insurance	25
Chapter 2	Features of Life Insurance Products	
Chapter 3	Features of non-Life Insurance Products	
	Module 8: Retirement Planning	
Chapter 4	Retirement Planning Basics	30
Chapter 5	Retirement Products	
Chapter 6	Miscellaneous aspects of Retirement Planning	
	Module 9: Taxation	
Chapter 7	Concepts of Taxation	20
Chapter 8	Capital Gains	
Chapter 9	Income from Other Sources	
Chapter 10	Taxation of Debt Products	
Chapter 11	Taxation of Equity Products	
Chapter 12	Taxation of Other Products	
Chapter 13	Tax provisions for Special Cases	
	Module 10: Estate Planning	
Chapter 14	Basics of Estate Planning	20
Chapter 15	Tools for Estate Planning	
	Module 11: Behavioral Finance	
Chapter 16	Basics of Behavioral Finance	10

Chapter 17	Behavioral Finance in practice	
	Module 12: Comprehensive Financial Advice	
Chapter 18	Risk Profiling for Investors	45
Chapter 19	Comparison of Products across categories	
Chapter 20	Case Studies	
	Total Marks	**150**

NISM Series X-B: Investment Adviser (Level 2) Certification Examination

CHAPTER 1: BASICS OF INSURANCE

Insurable Interest: Insurable interest requires the insured to suffer a financial loss if the insured event occurs.
Utmost Good Faith: Both parties in an insurance contract must disclose all material facts honestly.
Indemnity Principle: Insurance compensates only for the actual loss suffered, not for profit.
Proximate Cause: The dominant cause of a loss must be covered by the policy for a claim to be valid.
Subrogation: Insurer assumes the insured's rights to recover losses from a third party after paying a claim.
Contribution: Multiple insurers covering the same risk share the claim proportionately.
Deductibles: The insured bears a portion of the loss, reducing the insurer's liability.
Co-insurance: The insured shares a percentage of the claim if underinsured.
Premium: Periodic payment made by the insured to maintain the insurance policy.
Nominee: The person designated to receive the insurance proceeds upon the insured's death.
Cashless Claims: Hospitals are paid directly by the insurer under a pre-arranged agreement.
Reimbursement Claims: Insured pays upfront and seeks repayment from the insurer.
Health Insurance Deductibles: Can be compulsory (fixed amount) or voluntary (chosen by insured).
Insurance in Personal Finance: Protects financial goals by mitigating risks like death or illness.
Role of Insurance Adviser: Assess client needs, recommend suitable products, and ensure compliance.
IRDAI Regulations: Govern insurance operations, ensuring transparency and consumer protection.
Insurance Agent: An individual appointed by an insurer to solicit insurance business.
Direct Insurance Broker: Represents the client, offering products from multiple insurers.
Uberrimae Fidei: Legal principle requiring complete honesty in insurance contracts.
Law of Large Numbers: Predicts losses based on a large pool of similar risks.
Accidental Loss: Insurance covers only unintentional and unforeseen losses.
Policy Lapse: Occurs when premiums are not paid, leading to loss of coverage.
Reinstatement: Reviving a lapsed policy by paying overdue premiums.
Free-Look Period: Allows policyholders to review and cancel a policy within a specified time.
Grace Period: Extra time to pay premiums without policy lapse.
Moral Hazard: Risk of dishonest behavior by insured to gain from insurance.
Adverse Selection: Tendency of high-risk individuals to seek insurance.
Underwriting: Process of assessing risk and determining policy terms.
Claim Settlement Ratio: Percentage of claims settled by an insurer.
IRDAI Health Insurance Regulations 2024: Standardize health insurance products and claims.
Insurance as Investment: Some policies combine protection with investment components.
Term Insurance: Pure protection policy with no survival benefit.
Whole Life Insurance: Covers the insured for their entire life.
Endowment Policy: Combines protection with savings, paying on death or maturity.
Money-Back Policy: Pays periodic survival benefits during the policy term.
ULIPs: Unit-linked insurance plans combine insurance with market-linked investments.
Surrender Value: Amount payable if a policy is terminated before maturity.
Paid-Up Policy: Reduced coverage if premiums stop after a minimum period.

Insurance Penetration: Measures insurance coverage in a population.
Insurance Density: Premium per capita in a country.
Keyman Insurance: Protects businesses against loss of key personnel.
Group Insurance: Covers a group under a single policy, often employer-sponsored.
Micro-Insurance: Affordable insurance for low-income individuals.
IRDAI Sandbox: Allows testing of innovative insurance products.
Bancassurance: Banks selling insurance products as corporate agents.

CHAPTER 2: LIFE INSURANCE PRODUCTS

Term Insurance: Provides coverage for a specific period with no savings component.
Sum Assured: The guaranteed amount payable on the insured's death.
Whole Life Insurance: Offers lifelong coverage with a savings element.
Endowment Policy: Pays sum assured on death or policy maturity.
Money-Back Policy: Returns a percentage of sum assured periodically during the term.
ULIPs: Combine life cover with investment in market-linked funds.
Surrender Value: Cash received on early termination of a policy.
Paid-Up Value: Reduced coverage if premiums cease after a minimum period.
Rider Benefits: Additional covers like critical illness or accidental death.
Nomination: Designates a person to receive policy proceeds.
Assignment: Transfers policy rights to another party, often for loans.
Premium Payment Modes: Can be single, regular, or limited premium.
Free-Look Period: Time to review and cancel a policy without penalty.
Policy Lapse: Coverage stops due to non-payment of premiums.
Revival of Policy: Restoring a lapsed policy by paying overdue premiums.
Loan Against Policy: Policyholder can borrow against the policy's cash value.
Maturity Benefit: Amount paid if the insured survives the policy term.
Death Benefit: Sum assured paid to nominees on the insured's death.
Human Life Value: Estimates financial loss due to premature death.
Need-Based Approach: Calculates insurance based on financial obligations.
Income Replacement: Insurance to replace lost income for dependents.
Mortgage Insurance: Covers loan repayment in case of death.
Keyman Insurance: Protects businesses from loss of critical employees.
Group Life Insurance: Covers employees under a single policy.
IRDAI ULIP Regulations: Mandate transparency in charges and returns.
Fund Switching: Allows ULIP policyholders to change investment funds.
Partial Withdrawal: Permits withdrawing a portion of ULIP funds.
Top-Up Premium: Additional premium to increase ULIP investment.
NAV: Net Asset Value determines the value of ULIP units.
Lock-In Period: Minimum period before ULIP funds can be withdrawn.
Mortality Charges: Cost of life cover deducted from ULIP funds.
Fund Management Charges: Fees for managing ULIP investments.
Premium Allocation Charges: Deducted from premiums before investment.
Policy Administration Charges: Fees for maintaining the ULIP policy.
Investment-Linked Plans: Policies with returns tied to market performance.
Foreign Currency Policies: Denominated in foreign exchange, subject to LRS.
Annuity Plans: Provide regular income post-retirement.
Immediate Annuity: Payments start soon after premium payment.
Deferred Annuity: Payments begin after a specified period.
Joint Life Annuity: Covers two lives, typically spouses.
Guaranteed Period Annuity: Pays for a fixed period regardless of survival.
Return of Purchase Price: Annuity option returning premium on death.

IRDAI Surrender Regulations: Ensure fair surrender values for policyholders.
Tax Benefits: Premiums and benefits may qualify for tax deductions.
Policy Portability: Allows switching insurers for certain policies.

CHAPTER 3: NON-LIFE INSURANCE PRODUCTS

General Insurance: Covers non-life risks like property, health, and liability.
Fire Insurance: Protects against losses due to fire and allied perils.
Marine Insurance: Covers goods during transit by sea, air, or land.
Motor Insurance: Mandatory for vehicles, covering damage and liability.
Health Insurance: Covers medical expenses due to illness or injury.
Liability Insurance: Protects against legal liabilities to third parties.
Travel Insurance: Covers risks during travel, like medical emergencies.
Home Insurance: Protects property and contents from various risks.
Crop Insurance: Compensates farmers for crop losses due to natural calamities.
Fidelity Insurance: Covers losses from employee dishonesty.
Burglary Insurance: Protects against theft of property.
Personal Accident Insurance: Covers death or disability due to accidents.
Cashless Facility: Direct payment to service providers by insurers.
No-Claim Bonus: Discount on premium for claim-free years in motor insurance.
Comprehensive Motor Policy: Covers own damage and third-party liability.
Third-Party Motor Insurance: Mandatory, covers liability to others.
Add-On Covers: Optional benefits like zero depreciation in motor insurance.
Deductibles: Amount borne by insured in non-life policies.
Co-Pay: Percentage of claim paid by the insured in health insurance.
Pre-Existing Diseases: Conditions existing before policy inception, often excluded.
Waiting Period: Time before certain health conditions are covered.
Portability: Allows switching health insurers without losing benefits.
Top-Up Plans: Additional health cover activated after base policy limit.
Super Top-Up Plans: Aggregate cover for multiple hospitalizations.
Critical Illness Policy: Pays lump sum on diagnosis of specified illnesses.
Group Health Insurance: Covers employees or group members under one policy.
Floater Policy: Single health policy covering multiple family members.
IRDAI Health Regulations: Ensure standardization and consumer protection.
Underwriting: Risk assessment to determine policy terms.
Moral Hazard: Risk of fraudulent claims in non-life insurance.
Adverse Selection: High-risk individuals seeking coverage.
Reinsurance: Insurers transfer part of risk to another insurer.
Claim Settlement Ratio: Indicates reliability of insurer in settling claims.
Incurred Claim Ratio: Claims paid versus premiums earned.
Solvency Ratio: Measures insurer’s financial stability.
Motor Vehicle Act: Mandates third-party insurance for vehicles.
Arogya Sanjeevani: Standardized health insurance product by IRDAI.
Professional Indemnity: Covers professionals against negligence claims.
Product Liability: Protects manufacturers against defective product claims.
Cyber Insurance: Covers losses from cyber risks like data breaches.
Drone Insurance: Protects against damage or liability from drone operations.
Livestock Insurance: Covers loss of insured animals.

Micro-Insurance: Affordable products for low-income groups.
Package Policies: Combine multiple covers like home and contents.
IRDAI Sandbox: Tests innovative non-life insurance products.

CHAPTER 4: RETIREMENT PLANNING BASICS

Retirement Goal: Achieving financial independence post-employment.
Retirement Phases: Accumulation, pre-retirement, and final retirement stages.
Inflation Impact: Reduces purchasing power, critical for retirement planning.
Life Expectancy: Key factor in estimating retirement corpus duration.
Retirement Corpus: Savings needed to sustain post-retirement lifestyle.
Early Retirement: Requires larger corpus due to longer retirement period.
Retirement Expenses: Include living costs, healthcare, and leisure activities.
Income Replacement Ratio: Percentage of pre-retirement income needed post-retirement.
Time Value of Money: Considers inflation and returns in retirement planning.
Compounding: Early investments grow significantly over time.
Systematic Investment: Regular contributions to build retirement corpus.
Risk Tolerance: Decreases as retirement approaches, favoring safer assets.
Asset Allocation: Balances risk and return across equity, debt, and others.
Retirement Planning Steps: Assess needs, estimate corpus, and invest regularly.
Emergency Fund: Essential for unexpected expenses in retirement.
Healthcare Costs: Rise significantly in retirement, requiring specific planning.
Longevity Risk: Outliving savings due to increased life expectancy.
Sequence of Returns Risk: Poor returns early in retirement deplete corpus faster.
Withdrawal Rate: Safe percentage of corpus withdrawn annually, typically 4%.
Tax Implications: Retirement income may be taxable, affecting planning.
EPFO: Manages provident fund and pension schemes for employees.
NPS: National Pension System offers market-linked retirement savings.
Annuities: Provide guaranteed income for life or a fixed period.
Reverse Mortgage: Converts home equity into income for retirees.
Social Security: Limited in India, unlike developed countries.
Retirement Calculators: Tools to estimate required corpus and savings.
Financial Adviser Role: Guides clients in creating retirement plans.
Goal Prioritization: Balances retirement with other financial goals.
Regular Review: Adjusts retirement plan for changes in income or goals.
Investment Horizon: Longer horizon allows riskier investments early on.
Post-Retirement Income: Includes pensions, rentals, or investment returns.
Lifestyle Adjustment: May require downsizing expenses in retirement.
Debt-Free Retirement: Clearing loans before retirement reduces financial stress.
Superannuation: Employer-sponsored retirement benefit for employees.
Gratuity: Lump-sum payment by employer post-retirement or resignation.
Pension Plans: Provide regular income post-retirement, often employer-funded.
Retirement Age: Varies by profession, impacting planning timeline.
Inflation-Linked Investments: Protect against rising costs in retirement.
Diversification: Spreads risk across asset classes for stable returns.
Tax-Free Income: Certain retirement benefits like PF may be exempt.
Retirement Gap: Shortfall between required and available corpus.
Spousal Needs: Planning must account for both partners' retirement.

Legacy Planning: Allocating assets for heirs post-retirement.
Retirement Portfolio: Mix of assets designed for income and growth.
Risk Management: Insurance and emergency funds safeguard retirement plans.

CHAPTER 5: RETIREMENT PRODUCTS

EPF: Employees' Provident Fund, a mandatory retirement savings scheme.
EPS: Employees' Pension Scheme provides pension post-retirement.
EDLIS: Employees' Deposit Linked Insurance Scheme offers life cover.
NPS: National Pension System, a voluntary market-linked pension scheme.
PPF: Public Provident Fund, a long-term savings scheme with tax benefits.
VPF: Voluntary Provident Fund allows higher EPF contributions.
Superannuation Fund: Employer-managed fund for retirement benefits.
Gratuity: Lump-sum payment post-retirement, tax-exempt up to a limit.
Annuities: Provide regular income, purchased with a lump-sum payment.
Immediate Annuity: Income starts soon after purchase.
Deferred Annuity: Income begins after a deferment period.
Joint Life Annuity: Covers both spouses, continuing after one's death.
Guaranteed Period Annuity: Pays for a fixed term, even if the annuitant dies.
Return of Purchase Price: Returns premium to nominees on annuitant's death.
NPS Tier-I: Primary retirement account with restricted withdrawals.
NPS Tier-II: Voluntary savings account with flexible withdrawals.
Active Choice: NPS investors select their asset allocation.
Auto Choice: Pre-set asset allocation based on investor's age.
Atal Pension Yojana: Guaranteed pension for low-income workers.
PMVVY: Pradhan Mantri Vaya Vandana Yojana for senior citizens.
SCSS: Senior Citizens Savings Scheme offers quarterly interest.
Reverse Mortgage: Converts home equity into regular income.
Systematic Withdrawal Plan: Regular withdrawals from mutual funds for income.
Bond Laddering: Investing in bonds with staggered maturities for steady income.
Tax Benefits: EPF, PPF, and NPS contributions qualify for deductions.
EPF Withdrawal: Partial withdrawals allowed for specific purposes.
NPS Taxation: Partial tax exemption on withdrawals and annuities.
PPF Lock-In: 15-year lock-in period with partial withdrawals after 7 years.
SCSS Eligibility: Open to individuals aged 60 or above.
PMVVY Benefits: Guaranteed pension with tax-exempt returns.
Reverse Mortgage Taxation: Payments received are tax-free.
Mutual Fund SWP: Taxed as capital gains based on holding period.
Bond Taxation: Interest taxable, capital gains depend on holding period.
NPS Exit Options: Partial withdrawal, annuity purchase, or lump-sum.
APY Contribution: Fixed contributions based on desired pension amount.
EPF Transfer: Can be transferred to new employer or withdrawn.
PPF Extension: Can be extended in blocks of 5 years post-maturity.
SCSS Premature Closure: Allowed with penalties after one year.
PMVVY Loan: Loan facility available against the scheme.
Reverse Mortgage Tenure: Payments continue until borrower's death or sale.
NPS Fund Options: Equity, corporate bonds, government securities, or alternatives.
Annuity Taxation: Pension received is taxable as income.

SWP Flexibility: Allows adjusting withdrawal amounts and frequency.
Bond Ladder Benefits: Reduces reinvestment risk and ensures liquidity.
Retirement Product Suitability: Chosen based on risk profile and income needs.
Tax Optimization: Multiple annuities can reduce tax liability.

CHAPTER 6: MISCELLANEOUS ASPECTS OF RETIREMENT PLANNING

Retirement Corpus Estimation: Considers expenses, inflation, and life expectancy.
Inflation Adjustment: Retirement plans must account for rising costs.
Life Expectancy: Longer life requires larger retirement corpus.
Healthcare Costs: Significant expense in retirement, needs separate planning.
Emergency Fund: Essential for unforeseen expenses in retirement.
Income Sources: Include pensions, investments, rentals, or annuities.
Withdrawal Strategy: Determines safe withdrawal rate to sustain corpus.
Sequence of Returns Risk: Early poor returns can deplete corpus faster.
Tax Planning: Minimizes tax liability on retirement income.
Asset Allocation: Shifts to safer assets as retirement nears.
Retirement Goals: Include lifestyle, travel, and legacy planning.
Financial Adviser Role: Guides in estimating and achieving retirement corpus.
Regular Review: Adjusts plan for changes in income, expenses, or goals.
Debt Management: Clearing loans before retirement reduces stress.
Longevity Risk: Planning for outliving savings is critical.
Spousal Needs: Accounts for both partners' retirement requirements.
Legacy Planning: Ensures assets are passed to heirs as desired.
Retirement Calculators: Tools to estimate corpus and savings needs.
Investment Horizon: Influences risk tolerance and asset allocation.
Compounding Benefit: Early investments grow significantly over time.
Systematic Investment: Regular contributions build retirement wealth.
Risk Tolerance: Decreases with age, favoring conservative investments.
Diversification: Spreads risk across asset classes for stability.
Inflation-Linked Investments: Protect against rising costs in retirement.
Tax-Free Income: Certain retirement benefits like PF are exempt.
Retirement Gap: Shortfall between required and available corpus.
Lifestyle Adjustment: May involve reducing expenses post-retirement.
Social Security: Limited in India, not a primary income source.
Reverse Mortgage: Provides income by leveraging home equity.
Annuity Options: Vary by payment frequency and survivor benefits.
Portfolio Rebalancing: Adjusts asset mix to maintain risk profile.
Goal Prioritization: Balances retirement with other financial goals.
Pre-Retirement Withdrawals: Can significantly reduce retirement corpus.
EPF Withdrawals: Should be minimized to preserve retirement savings.
NPS Flexibility: Allows partial withdrawals for specific needs.
PPF Benefits: Long-term, tax-free savings for retirement.
SCSS Returns: Offers high, guaranteed interest for retirees.
PMVVY Security: Government-backed pension scheme for seniors.
Bond Laddering: Ensures steady income with reduced reinvestment risk.
SWP Taxation: Capital gains tax based on holding period and asset type.
Retirement Product Evaluation: Considers liquidity, returns, and tax impact.
Financial Literacy: Empowers clients to understand retirement options.

Behavioral Biases: Can affect retirement planning decisions.
Estate Planning: Integrates with retirement to ensure asset distribution.
Risk Management: Insurance protects retirement plans from disruptions.

CHAPTER 7: CONCEPTS IN TAXATION

Assessment Year: Year following the financial year for tax assessment.
Previous Year: Year in which income is earned for taxation.
Person: Includes individuals, HUFs, companies, firms, and others.
Residential Status: Determines tax liability on global or Indian income.
Resident and Ordinarily Resident: Taxed on worldwide income.
Non-Resident: Taxed only on India-sourced income.
Resident but Not Ordinarily Resident: Taxed on India-sourced and select foreign income.
Income Heads: Salary, house property, business, capital gains, other sources.
Gross Total Income: Sum of income from all heads before deductions.
Total Income: Gross total income minus allowable deductions.
Tax Slabs: Progressive rates applied to total income for individuals.
Old Tax Regime: Allows deductions like 80C, 80D, and HRA.
New Tax Regime: Lower rates but fewer deductions, introduced in 2020.
Salary Income: Includes basic pay, allowances, and perquisites.
House Property Income: Rental income or deemed rent from property.
Business Income: Profits from business or profession, including presumptive schemes.
Capital Gains: Income from sale of capital assets like property or shares.
Other Sources: Includes interest, dividends, and lottery winnings.
Deductions: Reduce taxable income under sections like 80C, 80D.
Exemptions: Certain incomes like HRA or agricultural income are tax-free.
Section 80C: Deduction up to Rs. 1.5 lakh for investments like EPF, PPF.
Section 80D: Deduction for health insurance premiums.
HRA Exemption: Based on rent paid, salary, and city of residence.
Standard Deduction: Rs. 50,000 for salaried individuals in old regime.
Presumptive Taxation: Simplified tax for small businesses under Section 44AD.
Set-Off and Carry Forward: Losses can offset income or be carried forward.
Short-Term Capital Loss: Set off against short- or long-term gains.
Long-Term Capital Loss: Set off only against long-term gains.
Business Loss: Carried forward for 8 years, set off against business income.
Taxable Perquisites: Non-cash benefits like company car or housing.
DTAA: Double Taxation Avoidance Agreements prevent double taxation.
Tax Credit: Relief for taxes paid abroad under DTAA or Section 91.
TDS: Tax deducted at source on payments like salary, interest.
Advance Tax: Paid quarterly if tax liability exceeds Rs. 10,000.
Surcharge: Additional tax on high-income earners.
Cess: Education and health cess applied on tax liability.
Indexation: Adjusts asset cost for inflation to compute capital gains.
Deemed Owner: Person treated as owner for tax purposes, e.g., spouse-gifted property.
Clubbing of Income: Income of spouse or minor child added to assessee’s income.
Tax Audit: Mandatory for businesses with turnover above specified limits.
MAT: Minimum Alternate Tax ensures companies pay minimum tax.
AMT: Alternate Minimum Tax for non-corporate taxpayers.

Tax Return Filing: Mandatory for income above exemption limit.
Revised Return: Corrects errors in original tax return within deadline.
Belated Return: Filed after due date but before specified period.

CHAPTER 8: CAPITAL GAINS

Capital Asset: Property of any kind, excluding stock-in-trade and personal effects.
Short-Term Capital Asset: Held for less than specified period, e.g., 36 months for land.
Long-Term Capital Asset: Held beyond the specified period for the asset type.
Transfer: Includes sale, exchange, relinquishment, or gift of a capital asset.
Cost of Acquisition: Purchase price of the asset, adjusted for improvements.
Indexed Cost: Cost adjusted for inflation using Cost Inflation Index.
Full Value of Consideration: Amount received or receivable on asset transfer.
Capital Gains: Full value of consideration minus cost and expenses.
Short-Term Capital Gains: Taxed at slab rates or special rates for certain assets.
Long-Term Capital Gains: Taxed at 12.5% or 20% with indexation for specific assets.
Section 54: Exemption for reinvesting house sale gains in another house.
Section 54F: Exemption for reinvesting asset sale gains in a residential house.
Section 54EC: Exemption for investing gains in specified bonds within 6 months.
Section 54B: Exemption for reinvesting agricultural land sale gains in another land.
Section 54D: Exemption for reinvesting industrial land sale gains in new land.
Section 54G: Exemption for shifting industrial undertaking with reinvestment.
Section 54GA: Exemption for shifting to SEZ with reinvestment.
Section 54H: Extends reinvestment time for compulsory acquisition cases.
Cost Inflation Index: Notified annually to adjust for inflation.
Fair Market Value: Used for assets acquired before 2001 or gifted assets.
STT: Securities Transaction Tax paid on listed equity share transactions.
Section 50C: Deems stamp duty value as consideration for immovable property.
Section 50D: Fair market value as consideration for unlisted assets.
Advance Money Forfeiture: Taxable as income if deal fails, not capital gains.
Slump Sale: Transfer of undertaking for lump-sum consideration.
Gift Taxation: Gifts of capital assets taxable in recipient’s hands.
Inheritance: Not taxable as capital gains at the time of receipt.
Rupee Denominated Bonds: Special tax treatment for non-resident transfers.
Gold Monetization Scheme: Capital gains exempt on deposit redemption.
Debt Mutual Funds: Taxed as short-term gains post-2023 amendment.
Listed Equity Shares: Long-term gains taxed at 12.5% above Rs. 1.25 lakh.
Unlisted Equity Shares: Long-term gains taxed at 20% with indexation.
REITs/InvITs: Capital gains taxed based on holding period and unit type.
Foreign Exchange Assets: Taxed differently for residents and non-residents.
Compulsory Acquisition: Special provisions for computing gains and exemptions.
Capital Loss: Can be set off or carried forward based on gain type.
Section 47: Lists transactions not treated as transfers, e.g., gifts.
Business Trust Units: Taxed similarly to listed equity shares.
Demerger: No capital gains on share allotment in demerged company.
Amalgamation: No capital gains on share exchange in amalgamated company.
Bonus Shares: Cost of acquisition is nil for capital gains computation.
Rights Shares: Cost is the amount paid for acquiring rights.

Share Warrants: Conversion to shares not taxable; gains taxed on sale.
ESOPs: Taxed at exercise and sale, as perquisite and capital gains.

CHAPTER 9: INCOME FROM OTHER SOURCES

Other Sources: Residual head for income not covered under other heads.
Interest Income: Taxable under other sources, e.g., bank deposits, bonds.
Dividend Income: Taxable at slab rates in shareholder's hands.
Lottery Winnings: Taxed at 30% with no deductions allowed.
Gift Taxation: Gifts exceeding Rs. 50,000 taxable, except from relatives.
Family Pension: Taxable with a deduction of Rs. 15,000 or 1/3rd amount.
Rental Income: From machinery or plant, taxed under other sources.
TDS: Deducted on payments like interest, dividends, or winnings.
Casual Income: Lottery, gambling, or betting income taxed at 30%.
Exempt Gifts: From specified relatives or on marriage, not taxable.
Interest on Securities: Taxable unless specifically exempt.
Pooled Investment Vehicle: Income from REITs or InvITs taxed here.
Foreign Dividends: Taxable in India, with DTAA relief for foreign taxes.
Savings Account Interest: Exempt up to Rs. 10,000 under Section 80TTA.
Senior Citizen Interest: Exempt up to Rs. 50,000 under Section 80TTB.
Section 56(2): Governs taxation of gifts and other incomes.
Royalty Income: Taxable under other sources unless business-related.
Annuity Income: Taxable unless from exempt sources like NPS.
Advance Forfeiture: Taxable as income if capital asset deal fails.
Sum Received: From non-relatives without consideration, taxable.
Section 145: Income taxable on accrual or receipt basis.
DTAA Relief: Prevents double taxation on foreign-sourced income.
Tax-Free Income: Certain receipts like agricultural income exempt.
Clubbing Provisions: Income from gifted assets may be clubbed.
Deductions: Limited, e.g., expenses directly related to earning income.
Specified Relatives: Gifts from these are exempt from tax.
HUF Partition: Assets received not taxable under other sources.
Reverse Mortgage: Loan receipts exempt under Section 47.
Keyman Insurance: Sum received taxable as other sources income.
Mutual Fund Income: Dividends taxable at slab rates.
Interest Accrual: Taxable yearly even if received on maturity.
Tax Audit: Applies if income exceeds specified limits.
Loss Set-Off: Losses under this head set off against other income.
Bank FD Interest: Taxable annually on accrual basis.
Post Office Savings: Interest partially exempt under Section 10.
Debenture Interest: Taxable unless issued by tax-exempt entities.
Taxable Perquisites: Non-salary benefits like gifts from employer.
Foreign Currency Bonds: Interest taxable with special provisions.
Online Gaming Winnings: Taxed at 30% under Section 115BBJ.
Advertisement Income: Taxable if not part of business income.
Section 58: Lists non-deductible expenses under this head.
REIT Dividends: Taxable unless distributed from exempt income.

InvIT Distributions: Interest and dividends taxable in unit-holder's hands.
Composite Rent: Apportioned between property and other sources.
Advance Salary: Not taxable under other sources, but under salary.

CHAPTER 10: TAXATION OF DEBT PRODUCTS

Debt Products: Include bonds, debentures, fixed deposits, and mutual funds.
Coupon Bonds: Pay periodic interest, taxed as other sources income.
Zero-Coupon Bonds: No periodic interest; gains taxed on redemption.
Dated G-Secs: Government securities with fixed interest, taxable annually.
Treasury Bills: Short-term securities, gains taxed as capital gains.
Corporate Bonds: Interest taxable; gains depend on holding period.
Debt Mutual Funds: Post-2023, taxed as short-term capital gains at slab rates.
Fixed Deposits: Interest taxable annually on accrual basis.
Short-Term Capital Gains: Taxed at slab rates for debt products.
Long-Term Capital Gains: Taxed at 12.5% or 20% with indexation pre-2023.
Indexation: Adjusts cost for inflation, reducing taxable gains.
TDS: Applied on interest from bonds, FDs above specified limits.
Section 194A: Governs TDS on interest other than securities.
Section 193: TDS on interest from securities like debentures.
Non-Resident Taxation: Interest taxable at 20% or DTAA rates.
Deep Discount Bonds: Difference between issue and redemption price taxable.
Market-Linked Debentures: Taxed as short-term gains post-2023.
Gold ETFs: Taxed as capital gains based on holding period.
Silver Funds: Similar tax treatment as gold ETFs.
International Securities Funds: Taxed based on underlying asset type.
Section 50AA: Taxes market-linked debentures as short-term gains.
Foreign Debt Funds: Taxable in India with DTAA relief.
Interest Accrual: Taxable yearly even if received on maturity.
Capital Loss: Can be set off against other capital gains.
Exempt Bonds: Interest from specified bonds like REC exempt.
RBI Floating Rate Bonds: Interest taxable, reset periodically.
Sovereign Gold Bonds: Interest taxable; capital gains exempt on redemption.
Tax-Free Bonds: Interest exempt under Section 10(15).
DTAA: Reduces tax liability for non-residents on debt income.
Section 112A: Does not apply to debt products post-2023 amendments.
FD Reinvestment: Interest taxable annually despite reinvestment.
Bond Stripping: No specific provisions; taxed as capital gains.
Debenture Conversion: Conversion to shares not taxable; gains on sale taxable.
ETF Taxation: Depends on underlying asset, e.g., gold or debt.
Mutual Fund SWP: Taxed as capital gains on each withdrawal.
Bond Laddering: Interest taxable; gains depend on holding period.
Non-Convertible Debentures: Interest and gains taxable like bonds.
Pass-Through Certificates: Income taxable in investor’s hands.
Commercial Paper: Short-term, gains taxed as capital gains.
Certificate of Deposit: Interest taxable as other sources income.
Tax Audit: Applies if debt income exceeds business income limits.
Loss Carry Forward: Capital losses carried forward for 8 years.

Section 115A: Special tax rates for non-residents on debt income.
Foreign Currency Bonds: Taxed with special provisions for non-residents.
Inflation-Indexed Bonds: Interest and gains taxable with adjustments.

CHAPTER 11: TAXATION OF EQUITY PRODUCTS

Equity Shares: Listed or unlisted, taxed based on holding period.
Dividend Income: Taxable at slab rates in shareholder's hands.
Short-Term Capital Gains: 15% on listed shares with STT, slab rates for unlisted.
Long-Term Capital Gains: 12.5% on listed shares above Rs. 1.25 lakh.
STT: Securities Transaction Tax on listed equity transactions.
Section 112A: Governs long-term gains on listed equity shares.
Section 111A: Taxes short-term gains on STT-paid equity shares at 15%.
Unlisted Equity Shares: Long-term gains taxed at 20% with indexation.
Equity Mutual Funds: Taxed similarly to listed equity shares.
Systematic Withdrawal Plan: Each withdrawal taxed as capital gains.
Bonus Shares: Cost of acquisition is nil for capital gains.
Rights Shares: Cost is the amount paid for acquiring rights.
Share Warrants: Conversion to shares not taxable; gains on sale taxable.
ESOPs: Taxed as perquisite on exercise, capital gains on sale.
Futures Contracts: Taxed as business income, not capital gains.
Options Contracts: Premium and gains taxed as business income.
Currency Derivatives: Taxed as business income under PGBP.
Dividend Stripping: Losses disallowed if shares bought/sold around dividend dates.
Bonus Stripping: Losses disallowed for units bought/sold around bonus dates.
Section 47: Exempts certain equity transfers like gifts or amalgamations.
TDS on Dividends: 10% if dividends exceed Rs. 5,000 annually.
Foreign Equity Shares: Taxable in India with DTAA relief.
Exchange Charges: Included in cost of acquisition for capital gains.
Demat Charges: Allowable as expense in computing capital gains.
Preference Shares: Taxed based on listing and holding period.
Convertible Debentures: Conversion to shares not taxable; gains on sale taxable.
ETF Equity Funds: Taxed like listed equity shares if equity-oriented.
Section 50D: Fair market value as consideration for unlisted shares.
Buyback Taxation: Taxed as capital gains for shareholders post-2024.
Section 115A: Special rates for non-residents on equity dividends.
Loss Set-Off: Equity losses set off against other capital gains.
Loss Carry Forward: Capital losses carried forward for 8 years.
Indexation: Not available for listed equity shares post-2024.
Grandfathering: Protects gains on listed shares acquired before 2018.
REIT Units: Equity-like taxation for capital gains on listed units.
InvIT Units: Similar tax treatment as REIT units.
AIF Equity Funds: Pass-through taxation for Category I and II AIFs.
Section 94(7): Disallows losses from dividend stripping.
Section 94(8): Disallows losses from bonus stripping.
Tax Audit: Applies if equity trading treated as business income.
Speculative Income: Futures and options treated as speculative business.
Non-Speculative Income: Equity share gains not speculative.

DTAA Relief: Prevents double taxation on foreign equity income.
Section 10(38): Repealed; long-term gains now taxable under 112A.
Equity SIP: Each installment treated as separate investment for tax.
Portfolio Management Services: Taxed like direct equity investments.

CHAPTER 12: TAXATION OF OTHER PRODUCTS

ESOPs: Taxed as perquisite on exercise, capital gains on share sale.
Sovereign Gold Bonds: Interest taxable; capital gains exempt on redemption.
NPS Taxation: Contributions deductible, withdrawals partially exempt.
REITs: Dividends taxable unless from exempt income; gains as capital gains.
InvITs: Interest and dividends taxable; gains based on holding period.
AIFs: Pass-through taxation for Category I and II; Category III taxed as trust.
Keyman Insurance: Sum received taxable as business income.
High Premium ULIPs: Taxable if premium exceeds 10% of sum assured.
Gold ETFs: Taxed as capital gains based on holding period.
Silver ETFs: Similar tax treatment as gold ETFs.
Section 80C: Deduction for NPS contributions up to Rs. 1.5 lakh.
Section 80CCD: Additional Rs. 50,000 deduction for NPS contributions.
SGB Redemption: No capital gains tax if held till maturity.
SGB Premature Redemption: Taxable as capital gains based on holding period.
REIT Distributions: Interest taxable at slab rates for unit-holders.
InvIT Distributions: Similar to REITs, interest and dividends taxable.
AIF Income: Taxed in investor’s hands for pass-through funds.
ULIP Taxation: Maturity proceeds exempt if conditions met.
Section 10(10D): Exempts life insurance proceeds under certain limits.
Section 115BAC: Impacts taxation of other products in new regime.
TDS on REITs: 10% on dividends, 30% on interest for residents.
TDS on InvITs: Similar TDS rates as REITs for distributions.
Gold Monetization Scheme: Capital gains exempt on deposit redemption.
Physical Gold: Long-term gains taxed at 12.5% post-2024.
Section 47: Exempts certain transfers like SGBs to non-residents.
Section 50D: Fair market value as consideration for unlisted assets.
NPS Tier-I: Restricted withdrawals, mandatory annuity purchase.
NPS Tier-II: Flexible withdrawals, taxed as capital gains.
AIF Category III: Taxed at trust level, not pass-through.
Keyman Policy Premium: Deductible as business expense for employer.
ULIP Lock-In: 5-year lock-in for tax-exempt maturity proceeds.
REIT Capital Gains: Taxed like listed equity for listed units.
InvIT Capital Gains: Similar to REITs, based on holding period.
SGB Interest: Taxable at slab rates, paid semi-annually.
Gold Fund Taxation: Depends on holding period, no indexation post-2023.
Silver Fund Taxation: Aligned with gold funds, taxed as capital gains.
NPS Exit: 60% withdrawal tax-free, 40% for annuity purchase.
Section 115A: Special rates for non-residents on other product income.
DTAA: Relief for foreign-sourced income from REITs or InvITs.
Tax Audit: Applies if trading in other products exceeds limits.
Loss Set-Off: Losses from other products set off against capital gains.
Loss Carry Forward: Capital losses carried forward for 8 years.

Section 56(2): Taxes certain receipts like high-premium ULIP proceeds.
Business Trust: REITs and InvITs treated as business trusts for tax.
Pass-Through Status: Ensures income taxed only in investor's hands.

CHAPTER 13: TAX PROVISIONS FOR SPECIAL CASES

Buyback of Shares: Taxed as capital gains for shareholders post-2024.
Rights Issues: Capital gains on sale of rights shares or renouncement.
Mergers & Acquisitions: No capital gains on share exchange in amalgamation.
Demerger: No capital gains on share allotment in demerged company.
SLB: Securities Lending and Borrowing, no capital gains on lending.
Convertible Securities: Conversion to shares not taxable; gains on sale taxable.
Section 47: Exempts transfers like amalgamation or demerger.
Section 46A: Taxes buyback proceeds as capital gains.
Rights Renouncement: Taxable as capital gains or other sources income.
Amalgamation: Share exchange in amalgamated company not taxable.
Demerger Conditions: Must meet Section 2(19AA) for tax exemption.
SLB Taxation: Lending fees taxable as business or other sources income.
Preference Shares: Taxed based on listing and holding period.
Share Warrants: Conversion to shares not taxable; gains on sale taxable.
Section 50D: Fair market value as consideration for unlisted securities.
Section 112A: Applies to long-term gains on listed securities.
Section 111A: Short-term gains on STT-paid securities at 15%.
Bonus Shares: Cost of acquisition is nil for capital gains.
Rights Shares Cost: Amount paid for acquiring rights is the cost.
Buyback Tax: Earlier taxed as DDT, now capital gains for shareholders.
M&A Taxation: Capital gains arise on subsequent sale of allotted shares.
SLB Contract: Regulated by SEBI, treated as loan for tax purposes.
Convertible Debentures: Conversion not taxable; gains on sale taxable.
Indexation: Available for unlisted securities in special cases.
STT: Paid on buyback if shares are listed, impacts tax rate.
Section 2(19AA): Defines demerger for tax exemption purposes.
Section 2(1B): Defines amalgamation for tax exemption.
Loss Set-Off: Losses from special cases set off against capital gains.
Loss Carry Forward: Capital losses carried forward for 8 years.
DTAA: Relief for non-residents in M&A or buyback transactions.
TDS on Buyback: No TDS for shareholders post-2024 amendment.
Rights Issue Taxation: Depends on whether rights are exercised or sold.
Amalgamated Company: Inherits cost and holding period of original shares.
Demerged Company: Cost apportioned between resulting and demerged shares.
SLB Income: Taxed based on nature, e.g., business or other sources.
Convertible Bonds: Similar tax treatment as convertible debentures.
Section 115A: Special rates for non-residents on special case income.
Tax Audit: Applies if special case transactions treated as business.
Grandfathering: Protects gains on listed securities pre-2018.
Section 56(2): Taxes certain receipts in special cases like rights renouncement.
Business Trust: Special provisions for REITs/InvITs in M&A.
Fair Market Value: Used for unlisted securities in special cases.

Capital Asset: Includes shares or securities in special transactions.
Holding Period: Determines short- or long-term nature of gains.
SEBI Regulations: Govern SLB and buyback processes for compliance.

CHAPTER 14: BASICS OF ESTATE PLANNING

Estate Planning: Ensures orderly distribution of assets post-death.
Will: Legal document specifying asset distribution after death.
Intestate Succession: Assets distributed per personal laws without a will.
Hindu Succession Act: Governs inheritance for Hindus, Sikhs, Jains, Buddhists.
Indian Succession Act: Applies to Christians and Parsis for succession.
Muslim Personal Law: Governs inheritance for Muslims, no will for fixed shares.
Testator: Person who makes a will to distribute their assets.
Executor: Person appointed to carry out the will's instructions.
Beneficiary: Person or entity receiving assets under a will.
Probate: Court process to validate a will's authenticity.
Succession Certificate: Issued for movable assets without a will.
Legal Heirs: Persons entitled to inherit under personal laws.
Class I Heirs: Primary heirs under Hindu Succession Act, e.g., spouse, children.
Class II Heirs: Secondary heirs if no Class I heirs exist.
Agnates: Relatives through male lineage under Hindu law.
Cognates: Relatives through female lineage under Hindu law.
Full Blood: Siblings sharing both parents, prioritized in succession.
Half Blood: Siblings sharing one parent, lower priority in succession.
HUF: Hindu Undivided Family, a tax entity with joint property.
Coparcener: HUF member with rights to ancestral property.
Partition: Division of HUF property among coparceners.
Gift Deed: Transfers assets during lifetime, often tax-free.
Trust: Legal arrangement to manage assets for beneficiaries.
Family Settlement: Agreement to resolve disputes over family assets.
Nomination: Designates recipient for specific assets like bank accounts.
Joint Ownership: Assets pass to surviving owner without probate.
Power of Attorney: Authorizes another to act on one's behalf.
Estate Tax: Abolished in India, no direct tax on inheritance.
Capital Gains Tax: Applies on asset transfer post-death, based on cost to deceased.
Intestate Consequences: Leads to disputes and legal complexities.
Will Registration: Optional but adds legal weight to the will.
Testamentary Capacity: Testator must be of sound mind and major.
Undue Influence: Invalidates a will if coerced or manipulated.
Revocation of Will: Can be changed or canceled by testator anytime.
Codicil: Supplementary document to amend a will.
Muslim Will: Limited to 1/3rd of estate unless heirs consent.
Hindu Female Property: Absolute ownership post-2005 amendment.
Stridhan: Woman's exclusive property, not subject to HUF claims.
Maintenance Rights: Dependents entitled under personal laws.
Family Business Succession: Requires planning to avoid disputes.
Charitable Bequests: Assets donated to trusts or causes via will.
Digital Assets: Increasingly included in estate planning, e.g., crypto.

Cross-Border Assets: Governed by international laws and treaties.
Estate Planning Goals: Minimize disputes, taxes, and ensure smooth transfer.

CHAPTER 15: TOOLS FOR ESTATE PLANNING

Will: Primary tool to specify asset distribution post-death.
Testator: Person creating the will, must be of sound mind.
Executor: Appointed to execute the will's provisions.
Probate: Court validation of a will's authenticity.
Codicil: Amends or supplements an existing will.
Gift Deed: Transfers assets during lifetime, often tax-free.
Trust: Manages assets for beneficiaries, avoids probate.
Nomination: Designates recipients for assets like bank accounts.
Joint Ownership: Assets pass to surviving owner automatically.
Power of Attorney: Authorizes agent to manage assets during lifetime.
Family Settlement: Resolves disputes over family assets amicably.
HUF: Hindu Undivided Family for joint asset management.
Testamentary Trust: Created via will, effective post-death.
Living Trust: Manages assets during and after settlor's lifetime.
Revocable Trust: Can be altered or canceled by settlor.
Irrevocable Trust: Cannot be changed once established.
Private Trust: Benefits specific individuals or family members.
Public Trust: Created for charitable or religious purposes.
Determinate Trust: Beneficiaries and shares clearly defined.
Discretionary Trust: Trustee decides beneficiary shares.
Will Registration: Optional, enhances legal validity.
Attestation: Will must be signed by two witnesses.
Revocation of Will: Testator can cancel or replace will anytime.
Conditional Will: Effective only if specified conditions are met.
Holograph Will: Handwritten and signed by testator, valid if compliant.
Privileged Will: Made by soldiers or mariners in specific conditions.
Section 61: Taxes trust income if revocable, in settlor's hands.
Section 63: Taxes discretionary trust income in trustee's hands.
Trustee: Manages trust assets as per settlor's instructions.
Beneficiary: Receives benefits from trust or will.
Family Business Trust: Ensures smooth succession in businesses.
Gift Taxation: Exempt for relatives, taxable above Rs. 50,000 otherwise.
Capital Gains on Gift: Taxable on sale, cost based on donor's acquisition.
POA Types: General (broad powers) or special (specific tasks).
POA Registration: Mandatory for immovable property transactions.
POA Abroad: Must be notarized and stamped in India for validity.
Succession Certificate: For movable assets without nomination or will.
Legal Heirs Certificate: Identifies heirs for intestate succession.
Partition Deed: Documents division of HUF or joint property.
Family Arrangement: Oral or written agreement to settle asset disputes.
Creditor Protection: Trusts can shield assets from creditors.
Estate Tax Absence: No direct inheritance tax in India.

Digital Assets: Included in wills or trusts for modern estate planning.
Charitable Trust: Tax-exempt if registered under Section 12A.
Cross-Border Estate: Requires compliance with foreign succession laws.

CHAPTER 16: BASICS OF BEHAVIOURAL FINANCE

Behavioural Finance: Studies psychological influences on financial decisions.
Standard Finance: Assumes rational, fully informed investors.
Bounded Rationality: Investors make decisions with limited information.
Heuristics: Mental shortcuts leading to biased financial choices.
Prospect Theory: Investors value losses more than equivalent gains.
Loss Aversion: Preference to avoid losses over achieving gains.
Mental Accounting: Treating money differently based on source or purpose.
Anchoring: Relying heavily on initial information for decisions.
Overconfidence Bias: Overestimating one's financial knowledge or control.
Herding: Following the crowd in investment decisions.
Confirmation Bias: Seeking information that supports existing beliefs.
Recency Bias: Giving more weight to recent events in decisions.
Availability Bias: Judging based on easily recalled information.
Framing Effect: Decisions influenced by how information is presented.
Status Quo Bias: Preference for maintaining current investments.
Regret Aversion: Avoiding decisions due to fear of regret.
Sunk Cost Fallacy: Continuing investment due to past costs.
Disposition Effect: Selling winners too early, holding losers too long.
Endowment Effect: Valuing owned assets more than their market value.
Self-Control Bias: Failing to stick to long-term financial plans.
Cognitive Biases: Errors in thinking affecting financial decisions.
Emotional Biases: Feelings like fear or greed driving investment choices.
Market Anomalies: Inefficiencies unexplained by standard finance.
Efficient Market Hypothesis: Assumes prices reflect all available information.
Behavioural Market Hypothesis: Markets influenced by investor psychology.
Overreaction: Excessive price movements due to emotional responses.
Underreaction: Slow price adjustments to new information.
Momentum Effect: Stocks continue in their price direction due to herding.
Value Effect: Undervalued stocks outperform due to investor neglect.
Bubble Formation: Prices rise far beyond intrinsic value due to euphoria.
Market Crash: Rapid price decline due to panic selling.
Liquidity Chasing: Investing in stocks with high trading volume.
Herding in Bubbles: Following others amplifies price bubbles.
Feedback Loops: Price movements reinforce investor behavior.
Noise Trading: Trading based on irrelevant or emotional factors.
Arbitrage Limits: Behavioural biases limit arbitrage opportunities.
Risk Perception: Varies based on framing and personal biases.
Utility Theory: Investors seek to maximize satisfaction, not just wealth.
Adaptive Markets: Markets evolve with investor behavior and learning.
Nudging: Subtle cues to guide better financial decisions.
Financial Literacy: Reduces impact of biases on investment choices.
Portfolio Turnover: High due to biases like overconfidence or herding.

Investor Sentiment: Collective mood influences market trends.
Behavioural Portfolio: Accounts for biases in asset allocation.
Market Volatility: Driven by emotional and cognitive biases.

CHAPTER 17: BEHAVIOURAL FINANCE IN PRACTICE

Goal Setting: Emotions like fear or greed influence financial goals.
Risk Tolerance: Framing of questions affects perceived risk appetite.
Framing Effect: Presentation of options impacts investment choices.
Loss Aversion: Clients avoid risky investments fearing losses.
Mental Accounting: Clients segregate money for different goals.
Overconfidence: Leads to excessive trading or risky investments.
Herding: Clients follow market trends or peer actions.
Anchoring: Relying on past prices or initial advice for decisions.
Confirmation Bias: Seeking advice that aligns with preconceptions.
Recency Bias: Overweighting recent market events in planning.
Availability Bias: Decisions based on easily recalled events.
Status Quo Bias: Reluctance to change existing investments.
Regret Aversion: Avoiding decisions due to potential regret.
Sunk Cost Fallacy: Holding poor investments due to past losses.
Disposition Effect: Selling winners early, holding losers long.
Endowment Effect: Overvaluing owned investments.
Self-Control Bias: Failing to adhere to financial plans.
Adviser Role: Mitigates biases through education and nudging.
Client Profiling: Identifies biases to tailor advice.
Risk Profiling: Assesses emotional and cognitive risk tolerance.
Portfolio Rebalancing: Counters biases like disposition effect.
Financial Planning: Aligns investments with client goals, not biases.
Nudging Techniques: Simplifies choices to improve decisions.
Education: Enhances client awareness of behavioural pitfalls.
Market Bubbles: Driven by herding and overconfidence.
Crashes: Triggered by panic selling and loss aversion.
Investor Sentiment: Influences client investment timing.
Overreaction: Clients overreact to market news or events.
Underreaction: Slow response to new financial information.
Momentum Investing: Driven by herding and recency bias.
Value Investing: Counters biases by focusing on fundamentals.
Framing in Advice: Presenting options to reduce loss aversion.
Goal-Based Investing: Aligns portfolios with specific objectives.
Behavioural Portfolio: Balances emotional and rational allocations.
Tax-Loss Harvesting: Uses disposition effect to offset gains.
Regular Reviews: Counter biases by reassessing goals and portfolios.
Diversification: Reduces impact of overconfidence or herding.
Long-Term Focus: Mitigates recency and availability biases.
Emotional Coaching: Advisers help clients manage fear or greed.
Simplified Choices: Reduces decision paralysis from too many options.
Automated Investing: SIPs counter self-control bias.
Client Communication: Clear, unbiased advice reduces confirmation bias.

Market Volatility: Managed by focusing on fundamentals, not sentiment.
Foreign Investments: Influenced by herding and availability bias.
Adviser Biases: Advisers must recognize their own behavioural biases.

CHAPTER 18: RISK PROFILING FOR INVESTORS

Risk Profiling: Assesses client's ability and willingness to take risks.
Risk Tolerance: Level of risk a client can comfortably bear.
Risk Capacity: Financial ability to absorb investment losses.
Risk Appetite: Willingness to take risks for potential returns.
Risk Aversion: Preference for safer investments over risky ones.
Risk Perception: Subjective view of risk influenced by biases.
Questionnaires: Tools to evaluate client risk profiles.
Financial Goals: Risk profile aligns with goal timelines and importance.
Income Stability: Higher stability supports higher risk tolerance.
Net Worth: Greater wealth increases risk capacity.
Investment Horizon: Longer horizons allow riskier investments.
Liquidity Needs: High liquidity needs favor conservative investments.
Debt Levels: High debt reduces risk-taking ability.
Age Factor: Younger investors typically have higher risk tolerance.
Experience: Investment knowledge influences risk appetite.
Behavioural Biases: Affect risk perception and decision-making.
Asset Allocation: Balances risk and return based on profile.
Strategic Allocation: Long-term mix of equity, debt, and other assets.
Tactical Allocation: Short-term adjustments based on market conditions.
Dynamic Allocation: Adjusts risk exposure as goals approach.
Diversification: Spreads risk across asset classes and securities.
Risk-Return Tradeoff: Higher returns require higher risk.
Volatility: Measures price fluctuations, key risk indicator.
Downside Risk: Focuses on potential losses, not just volatility.
Portfolio Rebalancing: Maintains risk profile by adjusting allocations.
Risk Measures: Include standard deviation, beta, and VaR.
Beta: Measures asset sensitivity to market movements.
Standard Deviation: Quantifies investment return variability.
Value at Risk: Estimates potential loss over a period.
Stress Testing: Assesses portfolio performance in adverse scenarios.
Scenario Analysis: Evaluates outcomes under different market conditions.
Monte Carlo Simulation: Models portfolio outcomes using probabilities.
Adviser Role: Matches investments to client risk profiles.
Client Education: Improves understanding of risk and returns.
Regular Reviews: Adjusts risk profile for life or market changes.
Goal-Based Investing: Aligns risk with specific financial objectives.
Conservative Profile: Prefers fixed income and low volatility assets.
Moderate Profile: Balances equity and debt for growth and stability.
Aggressive Profile: Favors equities for high growth potential.
Risk Tolerance Questions: Must be unbiased to avoid framing effects.
Emergency Fund: Reduces need for premature risky asset sales.
Tax Considerations: Risky assets may have favorable tax treatment.

Liquidity Risk: Illiquid assets unsuitable for short-term needs.
Suitability: Investments must match client’s risk profile and goals.

CHAPTER 19: COMPARISON OF PRODUCTS ACROSS CATEGORIES

Equity Mutual Funds: Diversified, managed equity investments.
Portfolio Management Services: Customized equity portfolios for HNIs.
ULIPs: Combine insurance with market-linked investments.
ETFs: Exchange-traded funds tracking indices, low-cost.
Index Funds: Passively track market indices, low expense ratios.
Real Estate: Illiquid, high capital investment with rental income.
REITs: Pooled real estate investments, liquid and diversified.
InvITs: Infrastructure trusts, offer regular income and gains.
Fixed Deposits: Safe, guaranteed returns, low liquidity.
Bonds: Debt instruments with periodic interest, varying risk.
Equity vs. Debt: Equity offers growth; debt provides stability.
Mutual Funds vs. ULIPs: Mutual funds more flexible, ULIPs have insurance.
ETFs vs. Index Funds: ETFs trade intraday, index funds at NAV.
Real Estate vs. REITs: REITs offer liquidity, real estate needs management.
REITs vs. InvITs: REITs focus on real estate, InvITs on infrastructure.
FDs vs. Bonds: FDs safer, bonds offer market-linked returns.
Liquidity: ETFs, mutual funds high; real estate, FDs low.
Risk Levels: Equity high risk; FDs, bonds lower risk.
Return Potential: Equity highest, FDs lowest among products.
Taxation: Varies by product, e.g., equity LTCG at 12.5%, FD interest at slab.
Expense Ratios: ETFs, index funds low; PMS, ULIPs high.
Lock-In Period: ULIPs 5 years, PPF 15 years, FDs vary.
Diversification: Mutual funds, ETFs high; real estate low.
Management: PMS active, ETFs passive, ULIPs hybrid.
Suitability: Depends on risk profile, goals, and horizon.
Transparency: ETFs, mutual funds high; PMS, real estate lower.
Entry Barriers: Real estate high capital; ETFs, mutual funds low.
Income Generation: REITs, InvITs, bonds provide regular income.
Capital Appreciation: Equity, real estate offer growth potential.
Tax Benefits: ULIPs, PPF offer deductions; REITs dividends taxable.
Regulatory Oversight: SEBI for mutual funds, REITs; IRDAI for ULIPs.
Market Linkage: Equity funds, ETFs market-linked; FDs fixed returns.
Flexibility: Mutual funds, ETFs allow easy entry/exit; real estate rigid.
Hedging: Derivatives like futures, options for risk management.
Leverage: Real estate allows loans; equity funds typically unleveraged.
Index Futures vs. Options: Futures obligate, options provide rights.
Physical Gold vs. Gold ETFs: ETFs liquid, physical gold tangible.
Sovereign Gold Bonds: Interest plus gold price appreciation, tax benefits.
Annuities vs. SWPs: Annuities guaranteed, SWPs market-linked.
PMS vs. AIFs: PMS customized, AIFs pooled alternative investments.
Real Estate Challenges: High maintenance, illiquidity, regulatory risks.
REITs Benefits: Diversified, liquid, professional management.

InvITs Income: Stable from infrastructure projects, tax-efficient.
Product Evaluation: Based on risk, return, liquidity, and tax impact.

CHAPTER 20: CASE STUDIES

Financial Planning: Integrates goals, risk profile, and investment choices.
Retirement Corpus: Calculated using expenses, inflation, and life expectancy.
Goal Prioritization: Balances short-term and long-term objectives.
Risk Profiling: Determines suitable investments for case scenarios.
Asset Allocation: Mix of equity, debt, and others based on goals.
Tax Planning: Optimizes tax liability through deductions and exemptions.
Insurance Needs: Life and health cover to protect financial plans.
Emergency Fund: Ensures liquidity for unforeseen expenses.
Investment Horizon: Aligns investments with goal timelines.
Inflation Adjustment: Critical for long-term goals like retirement.
Compounding: Early investments grow significantly over time.
SIP: Systematic Investment Plan for disciplined wealth creation.
SWP: Systematic Withdrawal Plan for regular retirement income.
Bond Laddering: Staggered bond maturities for steady income.
NPS: Market-linked pension scheme with tax benefits.
EPF: Mandatory retirement savings with guaranteed returns.
PPF: Long-term, tax-free savings for conservative investors.
SCSS: High-interest scheme for senior citizens' retirement.
PMVVY: Guaranteed pension for seniors, government-backed.
Reverse Mortgage: Converts home equity into retirement income.
Equity Mutual Funds: Growth-oriented for long-term goals.
Debt Funds: Stability for short-term or conservative goals.
REITs: Income and growth from real estate without direct ownership.
InvITs: Stable income from infrastructure assets.
Gold ETFs: Hedge against inflation, liquid investment.
Sovereign Gold Bonds: Combine gold appreciation with interest.
ULIPs: Dual benefit of insurance and investment.
ETFs: Low-cost, diversified, market-linked investments.
Index Funds: Passive investment tracking market indices.
Taxation: Impacts net returns, varies by product and holding period.
DTAA: Relief for cross-border income in case studies.
Portfolio Rebalancing: Maintains desired risk-return profile.
Regular Reviews: Adjusts plans for life or market changes.
Behavioural Biases: Influence client decisions in case scenarios.
Financial Adviser Role: Guides clients through complex scenarios.
Goal-Based Investing: Aligns investments with specific objectives.
Liquidity Needs: Critical for short-term goals or emergencies.
Debt Management: Clearing loans enhances financial stability.
Legacy Planning: Ensures asset transfer as per client wishes.
Health Insurance: Protects against rising medical costs.
Life Insurance: Secures dependents' financial future.
Diversification: Reduces risk across assets and products.

Monte Carlo Simulation: Models outcomes for financial planning.
Scenario Analysis: Evaluates plans under different market conditions.
Suitability: Investments must match client’s risk and goals.

Important Formulas

Human Life Value: Income × (Retirement Age - Current Age) - Expenses
Retirement Corpus: Annual Expenses × (1 + Inflation)^n / (1 + Return)^n
Future Value: PV × (1 + r)^n
Present Value: FV / (1 + r)^n
Compound Interest: A = P × (1 + r/n)^(nt)
Annuity Payment (PMT): PV × r / [1 - (1 + r)^-n]
Capital Gains: Sale Consideration - (Cost of Acquisition + Improvement Cost)
Indexed Cost of Acquisition: Cost × CII of Sale Year / CII of Purchase Year
SIP Future Value: PMT × [(1 + r)^n - 1] / r × (1 + r)
Safe Withdrawal Rate: Annual Withdrawal / Portfolio Value × 100

IMPORTANT NOTE :

1. Attend **ALL** Questions.
2. For the questions you don't know the right answer – Try to eliminate the wrong answers and take a guess on the remaining answers.
3. DO NOT MEMORISE the questions & answers. It's not the right to way to prepare for any NISM exam. Good understanding of Concepts is essential.

July 2025

All the Best ☺

MODELEXAM

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